

DIETARY SUPPLEMENTS GO INTERNATIONAL

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One would imagine that with the aging American population and the rise in preventative health care, the U.S. nutritional supplements market would be booming. However, the reality is proving different. Over the past three years, the supplements market in the United States has slowed, and sales of nutritional supplements are expected to moderate or become flat in 2001.

Several factors plague the industry. The lack of regulation by the Food and Drug Administration and media-reported difficulties in controlling herbal product content have resulted in a degree of uneasiness among consumers with regard to efficacy and possible drug interactions.

Increased competition poses another challenge. Large U.S. food and pharmaceutical companies have seen the potential of nutritional supplements and are now entering the market, squeezing out smaller companies.

Finally, with similar products and formulations, consumer brand loyalty is difficult to maintain. U.S. consumers frequently base purchasing decisions on price and packaging; therefore, they often switch brands or gravitate to trendy items.

THE ALTERNATIVE: EXPORTING

Tough challenges confront the nutritional supplement industry, and companies must decide whether to consolidate, downsize or ride out the slow cycle. However, there is a fourth alternative that many have not explored: exporting to new markets overseas. Exports can mean greater sales potential and access to new markets, where consumers often perceive the quality of U.S. products to be superior to domestically produced equivalents.

The world demand for nutritional supplements is expected to increase by over 10 percent per year, reaching \$162 billion by 2004, according to projections by the Freedonia Group. Multiple vitamins and mineral preparations will continue to command the largest share of worldwide sales. The regions expected to see the fastest growth are Asia, Latin America and the Middle East.

Unlike the United States, the rest of the world often categorizes nutritional supplements as over-the-counter medicines or drugs that require regulatory approval. Though regulatory requirements present a new challenge, U.S. products are almost always successful.

Here is a look at three potential markets for U.S. exporters of nutritional supplements: Australia, Taiwan and the United Kingdom.

AUSTRALIA'S "COMPLEMENTARY MEDICINES"

Use and acceptance of so-called "complementary medicines" are increasing in Australia. Complementary medicines include vitamins, minerals, herbal and/or homeopathic preparations and nutritional supplements. More than 60 percent of Australians use such medicines at least once a year.

Supplements such as tablets, capsules, pills, vitamins, minerals and herbs are all regulated and may have to be registered and approved by Australia's Therapeutic Goods Administration. If the product has been assessed as a food it may have to comply with the Australian Food Standards Code, which is administered by the Australia New Zealand Food Authority. The Complementary Medicines Evaluation Committee determines whether a new complementary medicine or therapeutic substance is "listed" or "registered." Classification depends on their ingredients and the claims made: "Listed" products are those that contain low-risk ingredients, usually with a long history of use, such as vitamin and mineral products. "Registered" products are newer and often considered of higher risk.

U.S. supplement companies can achieve success by focusing on targeted niche products in Australia. A recent Australian Bureau of Statistics survey showed that the most common reason given for using

complementary medicines was to prevent illness. Australians also use supplements to fight pain, relieve stress and treat chronic conditions. Additionally, there has been a trend toward natural therapy products particularly for cellulite control and anti-aging.

IN TAIWAN, ACCEPTING U.S. PRODUCTS

In Taiwan, the health food and dietary supplement market has enjoyed robust growth in recent years, and prospects for future growth are excellent. Since 1997, total sales have expanded by about 20 percent per year. In 1998, the United States dominated this lucrative market, with a market share of 42.8 percent. The main reasons for U.S. dominance include competitive pricing, advanced technology, clear labeling of ingredients and product expiration dates. In addition, Taiwanese consumers' perception of U.S. goods as high quality has contributed to the wide acceptance of U.S. dietary supplements.

The Taiwan Department of Health regulates imported dietary supplements. They are subject to the same laws and regulations as food products, except for high-dosage vitamins that must be classified as pharmaceuticals. Imports of supplements must be in compliance with all applicable laws. For example, dietary supplements must be reviewed and approved before they can be sold; a Chinese-language label is required for retail sale; and false, exaggerated or misleading advertisements are prohibited. For high dosage vitamins A, D, E and K — all classified as prescription drugs — importers must obtain an import license and local manufacturers must register the product.

Among the factors that are contributing to the growth in the Taiwan dietary supplement market are: the desire to pursue healthier lifestyles, increased purchasing power, the expansion of sales channels, an aging population and a growing acceptance of supplements by Taiwanese doctors and nutritionists.

UNITED KINGDOM'S AGING POPULATION CREATES OPPORTUNITIES

The United Kingdom is the world's fourth largest nutritional supplements market, behind Japan, the United States and Germany. According to analysts, the industry is expected to post annual growth of 5 percent through 2005. This is attributable to a number of factors, including continued efforts by the government to promote preventative care and self-medication, the variety of distribution channels (including pharmacies, health food stores, mail order and the Internet) and continued growth in the number of consumers age 50 and over. Since people aged 50 to 64 do not qualify for free prescriptions under the U.K.'s National Health Service, they tend to be more frequent users of nutritional supplements.

Although the market for nutritional supplements in the United Kingdom is relatively open, U.S. manufacturers need to be aware of current and proposed market regulations. In general, licensing requirements for nutritional supplements sold in the U.K. come into force if the product makes a medicinal claim. For more specific regulatory and labeling information, a U.S. company should contact the Medicines Control Agency (MCA) for licensed products and the Food Standards Agency (FSA) for unlicensed products. U.S. companies should also work with an established U.K. distributor, manufacturer or wholesaler.

The best prospects for U.S. firms promise to be niche products, such as: unique combinations that blend traditional vitamins and minerals with herbals, symptom-specific products that target particular ailments, life-stage products that cater to the needs of a specific age group, lifestyle products that address specific concerns like stress relief or sports fatigue and gender-specific products. ■

ASSISTANCE IS A CLICK AWAY

These snapshots of Australia, Taiwan and the United Kingdom are just a sample of markets that are receptive to U.S. exports. For more specific information on these and other markets, readers may contact:

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Additionally, the U.S. & Foreign Commercial Service publishes many useful market research reports, which can be found at their website www.usatrade.gov.

There are also a number associations specializing in dietary supplements that can provide assistance in the export process.

American Herbal Products Association
Tel: (301) 588-1171
Fax: (301) 588-1174
www.ahpa.org

Consumer Healthcare Products Association
Tel: (202) 429-9260
Fax: (202) 223-6835
www.chpa-info.org

Council for Responsible Nutrition
Tel: (202) 872-1488
Fax: (202) 263-1022
www.crnusa.org

National Nutritional Foods Association
Tel: (949) 622-6272
Fax: (949) 622-6275
www.nnfa.org